

Risk Profile Matrix and Summary

Institution Name City, State	CMS Elements		
	Oversight	Program	Audit
Operational Areas:			
Lending			
Deposits			
Insurance Sales			
Investment Sales (Other)			
Other Issues:			
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(L) = Low Risk; (M) = Moderate Risk; (H) = High Risk

Developing a Scope Memorandum

The EIC should prepare a Scope Memorandum using the information reflected in the preliminary Risk Profile. The Scope Memorandum must be in writing and should address the following:

- Scope of the examination;
- Issues to be investigated or areas to be targeted, and reasons why; and
- Areas not included in the examination scope, and reasons why.

The severity of CMS weakness and operational risk will dictate the intensity of transaction testing. However, if no transaction testing in a particular regulatory area was done in the previous examination, then at least a spot-check should be done during the current examination, even if there are no risk indicators.

In the final Risk Profile and Scope Memorandum, the narrative in the Scope Memorandum describing changes should be in a different typeface for ease of reference. Do not delete the initial narrative. If a spot-check of a particular regulation revealed no problems, that should be noted in the Scope Memorandum chart; no Examiner Summary is required. If an Examiner Summary was prepared, it should be referenced in the Scope Memorandum chart.

The Scope Memorandum provides all members of the examination team with a central point of reference throughout the examination. A sample Risk Profile and Scope Memorandum can be found in Section III. Note that the format of the memorandum may be tailored to individual circumstances if appropriate.

On-Site Review and Analysis

Throughout the on-site review and analysis phase of the examination, the examiner should have discussions with senior management, the compliance officer, Directors, and other

personnel to develop an understanding of how management approaches its compliance responsibilities. These discussions will enable the examiner to determine whether and to what extent the financial institution has a compliance management system that is integrated into its daily operations.

Entrance Meeting With Senior Management

During the pre-examination planning stage, the EIC should schedule a meeting with senior management (e.g., the president, chief executive officer, compliance officer, and if they wish, members of the Board of Directors). This meeting should take place as soon as possible after entering the financial institution to conduct the on-site portion of the examination and should facilitate the discussion of various administrative items and the scope of the examination. Matters to be discussed during the entrance meeting include:

- An overview of the examination process.
- The names of FDIC examiners involved.
- Anticipated length of the examination.
- The EIC's accessibility throughout the on-site examination to discuss any issues relating to the examination or FDIC policy and practices.
- The identity of the individual(s) who is/are the primary contact person(s) for examination related issues.
- Any issues identified during off-site review and analysis, particularly areas of significant risk that will be receiving close attention.
- The materials requested during PEP that were not provided by the financial institution prior to the on-site date.
- An explanation of the closing management meeting procedures.
- The date of the next Board of Directors/trustees meeting. (Management should be advised that depending upon the examination findings, the FDIC may need to attend the regularly scheduled meeting or call for a special Board meeting.)
- Any issues related to the CRA evaluation and fair lending review.

Examiners should use a written agenda to document the issues covered at the entrance meeting, and file a copy in the examination workpapers.

Ongoing Communication

Communication between financial institution management, Boards of Directors, bank staff, and FDIC examination staff is a major component of an effective examination or visitation. Open communication should be maintained with management during the course of the examination. To the extent possible, all issues of concern should be discussed with management as they arise. This allows management time to provide additional

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relevant information, or to begin correcting problems where appropriate.

The financial institution's directors/trustees are encouraged to participate in regularly scheduled meetings with examiners. However, examination findings should be discussed with senior management prior to discussing with Board members. Also, the EIC should notify the financial institution's management as early as possible of any plans to meet with the Board to present examination findings. This will provide directors/trustees with an opportunity to forego meetings during the examination, if that is their preference.

Review of the Compliance Management System

Based on information gleaned from the discussions with bank management and staff, along with the off-site review and analysis, the examiner should:

- Determine the quality of the institution's compliance management system, including the degree to which management has taken a proactive approach to compliance and whether management can demonstrate its ability to assure compliance with federal consumer laws and regulations.
- Assess whether the compliance management system is effective at facilitating compliance.
- Identify potential deficiencies in the compliance management system and areas of greatest risk and concern.
- Determine where transaction testing is necessary.

The following sections include question lists that are intended to serve only as general guidance for the matters to be addressed during the examiner's dialogue with bank personnel. The sections are organized by elements of the CMS, and should be considered in conjunction with each of the different operational areas of the bank to come to a conclusion about the strength of each element overall. The questions will not apply to every examination scenario and should be customized to each situation. Examiner judgment must be used to determine whether additional pertinent questions should be asked. Because all the facets of a compliance management system are interrelated, certain themes will be repeated in the question lists for multiple sections. Throughout the examination process, the examiner should refer to the FDIC Law, Regulations and Related Acts service set, and any pertinent outstanding FDIC guidance regarding the regulatory or policy requirements of each area under review.

NOTE: The question lists are not to be given to institution management to complete.

Applicable Statutes and Regulations

The compliance management system must adequately address (through oversight, policies and procedures, training,

monitoring, complaint response, and audit) all areas related to the following federal consumer laws, regulations, rules, and policy statements:

Lending

Truth in Lending
Real Estate Settlement Procedures
Homeowners Protection
Credit Practices Rule
Equal Credit Opportunity
Fair Housing
Home Mortgage Disclosure
Fair Credit Reporting
Flood Insurance
Preservation of Consumers' Claims and Defenses
Homeownership Counseling

Deposits

Truth in Savings
Electronic Fund Transfers
Expedited Funds Availability
Interest on Deposits

Other

CRA Technical Requirements
Advertisement of Membership
Electronic Banking
Privacy of Consumer Financial Information
Right to Financial Privacy
Non-Deposit Products
Consumer Leasing
Fair Debt Collection Practices
Branch Closings
Interstate Banking
Children's Online Privacy Protection
Unfair or Deceptive Acts or Practices
Telephone Consumer Protection
Controlling the Assault of Non-Solicited Pornography and Marketing

Evaluating Management Oversight

Material to be reviewed during completion of this section will include, at a minimum:

- *The examiner-determined risk profile of the financial institution as it relates to management oversight;*
- *Prior Reports of Examination, including Compliance, Safety and Soundness, and specialty examinations (with a focus on the management component of each);*
- *Minutes of the meetings of the Board of Directors (BOD), compliance committee, discount committee, etc.;*
- *New, modified or amended compliance-related policies, procedures, and other internal memorandum;*